

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-05

LAB-01 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 SWF-01

CIEP-01 FRB-01 OMB-01 L-02 /039 W

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R 270743Z NOV 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8687

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E.O. 11652: N/A

TAGS: BDIS, ETRD,TH

SUBJ: THAI SUGAR CONTRACT

REFS: BANGKOK 18298, STATE 254230

1. TEMPERTON OF GOLODETZ HAS DEPARTED BANGKOK FOR LONDON AFTER WEEK OF INTERMITTENT NEGOTIATIONS WITH MEMBERS OF INTRA-GOVERNMENTAL COMMITTEE ON SUGAR PRODUCTION AND SALES AND INFORMAL DISCUSSIONS WITH GOVT OFFICIALS AND EX-OFFICIALS DIRECTLY OR INDIRECTLY INVOLVED IN MAKING SUGAR EXPORT POLICY DECISIONS. TELEPHONING EMBASSY COMATT NOVEMBER 22, HE APOLOGIZED FOR NOT HAVING RETURNED OUR CALLS, BUT SAID, "NO NEWS IS GOOD NEWS", INDICATING THAT HE THOUGHT SOME PROGRESS HAD BEEN MADE IN REACHING AGREEMENT ON AMENDMENTS TO LONG-TERM SUGAR CONTRACTS. HE REPORTED HE HAD LEFT WITH COMMITTEE GOLODETZ' FINAL AMENDED CONTRACT WHICH HE SAID GOLODETZ COULD LIVE WITH, ALTHOUGH ADMITTING THAT THE OTHER CONTRACTOR (KUOK BROS. OF SINGAPORE, WHICH GOLODETZ HAS BEEN WORKING CLOSELY) WAS NOT TOO HAPPY WITH THE CONESSIONS WHICH HAD BEEN MADE.

2. IN ADDITION TO VARIOUS RELATIVELY MINOR AMENDMENTS TO CONTRACTS NEGOTIATED IN 1973, COLODETZ' MAJOR CONCESSION WAS AGREEMENT TO ELIMINATE SO-CALLED QTE MONOPOLY CLAUSE
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UNQTE IN CONTRACT WHEREBY GOLODETZ (AND KUOK BROS.) GET FIRST OPTION ON PURCHASE ANY SUGAR ABOVE CONTRACT AMOUNT OF

MINIMUM 150,000 TONS, MAXIMUM 300,000 TONS ANNUALLY. ACCORDING TEMPERTON, HOWEVER, THERE IS STILL SOME DISAGREEMENT AMONG THAI ON WHETHER GOLODETZ SHOULD EVEN BE PERMITTED TO COMPETE ON SUGAR ABOVE CONTRACTUAL AMOUNT, AND ALSO ON WHETHER CUT-OFF AMOUNT SHOULD BE 150,000 TONS OR 300,000 TONS. IN ANY EVENT, RTG OFFICIALS AND SUGAR MILLERS ARE TO MEET THIS WEEK TO DISCUSS AMENDED CONTRACT WITH DECISION TO BE MADE WITHIN FOURTEEN DAYS ON RECOMMENDATIONS TO BE MADE TO CABINET.

3. THERE ARE EVIDENTLY MANY RTG OFFICIALS AND EX-OFFICIALS WITH VARYING INTERESTS AND INFLUENCE IN THIS MATTER. ACCORDING TEMPERTON, GENERAL KRIT SAVARA AND OSOT KOSIN, BOTH FORMER MINISTERS OF INDUSTRY, BACK GOLODETZ POSITION, WHILE OTHERS, INCLUDING NESDB DIRECTOR GENERAL DR. SANO UNAKUN AND THAI SUGAR CORPORATION (TSC) DEPUTY MANAGING DIRECTOR CHALOR SAMBHANDARAKS, DO NOT.

4. ANOTHER ISSUE IS THREATENED ABOLISHMENT OF THAI SUGAR CORPORATION WITH WHICH GOLODETZ HAS ITS CONTRACT, AND REPLACEMENT OF IT WITH NEW PRIVATE CORPORATION, WHICH WOULD EVIDENTLY SEEK TO NEGOTIATE NEW CONTRACTS, MOST LIKELY WITH FOUR JAPANESE FIRMS WHICH HAVE BEEN WRITING MINISTER OF INDUSTRY PROPOSING LONG-TERM CONTRACTS. THIS PROSPECT IS FAVORED BY TSC DEPUTY MANAGING DIRECTOR CHALOR, WHO HAS ALLEGEDLY RESIGNED THAT POSITION TO BECOME HEAD OF NEWS CORPORATION. WHILE TEMPERTON DID NOT RULE OUT POSSIBILITY NEW CORPORATION MIGHT BE FORMED, HE SAID MOST OFFICIALS SEEM TO BE AGAINST IDEA OF ABOLISHMENT OF TSC.

5. TEMPERTON SAID HE WOULD NOW JUST AWAIT DEVELOPMENTS, AND THAT IF MATTERS COME TO A STALEMATE HE WOULD REQUEST EMBASSY'S ASSISTANCE. ARBITRATION CASES HAVE BEEN PREPARED TO BE USED IF NECESSARY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, CONTRACTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BANGKO18666
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740344-0401
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974119/aaaaahiz.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BANGKOK 18298, STATE 254230
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 27 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 JUN 2002 by boyleja>; APPROVED <12 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THAI SUGAR CONTRACT
TAGS: BDIS, ETRD, TH
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005